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**FOR IMMEDIATE RELEASE**

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## **OPENING STATEMENT OF CHAIRMAN BUYER**

### **SUBCOMMITTEE ON PERSONNEL**

### **HEARING ON READY RESERVE MOBILIZATION INCOME INSURANCE**

*May 8, 1997*

Today the subcommittee will hear testimony on the Ready Reserve Mobilization Income Insurance Program—a program that we now know to be bankrupt and an embarrassing failure.

The problem of mobilized reservists losing income became a major issue during and after the Persian Gulf Conflict. Operations Desert Shield and Desert Storm involved the largest activation and deployment of reserve component forces since the Korean War with more than 246,000 national guardsmen and reservists from all the armed forces serving on active duty. Post war survey's indicated that 45 percent of the officers and 55 percent of the enlisted personnel reported income losses. There were significant financial hardships endured by some reservists, especially highly paid professionals and those that were self employed.

The DOD response to the problem was the creation of an insurance program designed to be self funded by premiums. Those premiums over a period of years, DOD actuaries believed, would provide the accumulated funds to pay the benefits for a moderate mobilization—something along the line of the current Bosnia deployment. However, it was always assumed that a large mobilization—like a Persian Gulf Conflict—would create a program liability that could never be supported by premiums, but would require supplemental funding from the Congress.

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Two problems occurred during implementation. First, the insurance enrollment period coincided with the notification of units that were subject to activation to support operations in Bosnia. Not surprisingly, 85 percent of the personnel in the units scheduled for deployment participated in the program. Many had signed up for the maximum amount of coverage, \$5,000. Such adverse selection immediately bankrupted the program and left it \$72 million in debt.

The second problem that emerged was the lack of participation in the program by reservists. Following the Persian Gulf Conflict, a Rand survey indicated that 65 percent of enlisted members and 55 percent of officers would purchase mobilization insurance at a rate comparable to the rate that was eventually included in the law. Today, less than three percent of the reserve force has signed up to participate. Even had the DOD actuaries' conservative estimate of a 40 percent participation rate been accurate, it is now apparent that the program would not have been solvent.

There is evidence that this program failed in part because of inadequate preparation and flawed implementation. But that is not the whole story. The unexpectedly low participation rate raises serious questions about the future need for the program.

The committee must understand how and why the program got off to such an abysmal start, and if the failure could have been prevented. Moreover, the committee must understand if such a program should continue.